

Understanding Shares And Cryptocurrency Tax



For most investors, the primary tax concern for both crypto and shares is Capital Gains Tax (CGT). A capital gain or loss is realised when you dispose of an asset. This includes: Selling the asset for Australian dollars. Swapping or trading it for another asset (e.g., trading Bitcoin for Ethereum, or swapping BHP shares for NAB shares). Gifting the asset. Using it to pay for goods or services. If you make a capital gain, it will be added to your assessable income for the year, effectively increasing the amount of tax you need to pay.

1. The Tax Treatment Of Shares

Shares have been a cornerstone of investing for decades, and their tax treatment is well-established.

Capital Gains on Shares

When you sell shares for more than you paid for them (your 'cost base'), you make a capital gain. The cost base includes the purchase price plus any brokerage fees.

The CGT Discount: One of the most significant advantages of holding shares is the **CGT discount**. If you hold shares for **more than 12 months** before selling them, you are eligible to reduce your taxable capital gain by 50%. This can substantially lower your tax bill.

Example: You buy \$5,000 worth of shares and sell them 18 months later for \$9,000. Your capital gain is \$4,000. Because you held them for over a year, you can apply the 50% CGT discount, meaning only \$2,000 is added to your taxable income.

Tax on Dividends

Many companies distribute a portion of their profits to shareholders in the form of dividends. This dividend income is separate from capital gains and must also be declared in your tax return. Australian companies often pay 'franked dividends', which come with a franking credit (or imputation credit). This credit represents the tax the company has already paid on the profit. You can use this credit to reduce the tax you pay on your overall income.

2. The Tax Treatment Of Cryptocurrency

Cryptocurrency is a newer, digital asset class, and the ATO has specific guidelines for how it should be treated for tax purposes.

Capital Gains on Cryptocurrency

Just like shares, cryptocurrencies are treated as an asset and are subject to Capital Gains Tax. Every time you dispose of a crypto asset, it is a taxable event. This includes:

- **Selling crypto for cash.**
- **Swapping one cryptocurrency for another (e.g., Bitcoin to Solana).**
- **Using crypto to buy goods, services, or even NFTs.**

The **ATO crypto tax rules** are stringent. You must calculate the Australian dollar value of the gain or loss for every single transaction.

The **CGT discount** of 50% also applies to cryptocurrency, provided you have held the specific crypto asset for **more than 12 months** before disposing of it.

3. Is Crypto Ever Treated As Income?

While most investors will fall under the CGT rules, if you are trading crypto in a systematic, repetitive, and business-like manner, the ATO may classify you as a 'trader'. In this case, your profits would be treated as regular income, and you would not be eligible for the 50% CGT discount. This is a complex area, and seeking professional advice from a **Tax Accountant in Melbourne** like Tax Savers is crucial if you are a frequent trader.

The 'Personal Use Asset' Exception

In very limited circumstances, crypto can be considered a 'personal use asset'. This applies if you acquire and use crypto within a short period to pay for a personal item or service. If the crypto had a cost of less than \$10,000, any capital gain is disregarded. However, the ATO interprets this exception very narrowly, and it does not apply to assets held for investment purposes.

4. Record Keeping: The Golden Rule For All Investors

Whether you're investing in **crypto and shares**, meticulous record-keeping is non-negotiable. The ATO can request records dating back five years after you lodge your tax return.

For **both asset types**, you must keep records of:

- **The date of every transaction** (buying and selling).
- **The price** at which you bought and sold the asset in Australian dollars.
- **The quantity** of shares or crypto coins/tokens involved.
- **Brokerage fees or gas fees** associated with each transaction.
- The Australian dollar value of the asset at the time of any trade or swap.
- Records of any dividend income and franking credits.

For crypto investors, this can be particularly challenging due to the high volume of transactions across multiple exchanges and wallets. Using specialised crypto tax software can help, but it's essential to ensure the data is accurate.

5. Key Differences Between Shares And Cryptocurrency?

Feature	Shares	Cryptocurrency
Primary Tax	Capital Gains Tax (CGT)	Capital Gains Tax (CGT)
CGT Discount	Yes (50% if held >12 months)	Yes (50% if held >12 months)
Income	Dividends (often with franking credits)	Generally no, unless you are a professional trader.
Swapping/Trading	A CGT event occurs.	A CGT event occurs for every swap.
Record Keeping	Relatively straightforward.	Can be extremely complex due to volume and multiple platforms.
Key Advantage	Dividend income, franking credits.	Potential for high growth (and high risk).

6. How Tax Savers Agents Can Help You

Navigating the tax implications of **investment property and shares**, let alone the volatile world of crypto, can be a significant challenge. The rules are complex, and the consequences of getting it wrong can be costly.

The expert team at **Tax Savers** provides clear, practical advice to help you:

- **Understand your tax obligations** for all your investments
- Accurately **calculate your capital gains and losses**.

- Ensure you are **maximising all eligible deductions and discounts**, including the 50% CGT discount.
- Implement a robust **record-keeping** system.
- Lodge your tax return correctly and on time, giving you peace of mind.

Don't leave your investment tax obligations to chance. Proactive planning and expert advice are key to **minimising capital gains tax** and achieving your financial goals.

Are you investing in cryptocurrency or shares?

Contact the friendly professionals at **Tax Savers** today. Our office in Tarneit is ready to assist you in navigating the complexities of investment taxation and ensuring you are in the best possible tax position.

Call Tax Savers on [0387210365](tel:0387210365) or visit our website at taxsavers.com.au to book your **consultation**. Let's secure your financial future, together.

Contact Us

Our Services

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